

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 127 - SB 299

February 18, 2015

SUMMARY OF BILL: Enacts the “State Authorization Reciprocity Agreement Act” which authorizes the Tennessee Higher Education Commission (THEC) and public and private higher education institutions in Tennessee to join the National Council for State Authorization Reciprocity Agreements (NC-SARA). Institution participation in NC-SARA is voluntary. Designates THEC as the portal agency for Tennessee member institutions. Public and private institutions that choose to join the agreement will pay an annual fee to NC-SARA and to THEC. Caps the fees collected by THEC at the maximum allowable fee paid to NC-SARA. Requires fees paid to THEC be collected and deposited into the state treasury in a dedicated commission account. Sets forth the procedures for complaints filed by a non-Tennessee student who resides in a member state. Authorizes THEC to assist Tennessee residents who file a complaint with a member institution that is domiciled outside Tennessee. Authorizes Tennessee institutions to withdraw from SARA with a 30-day notice to THEC. Such institutions shall forfeit membership fees that were previously paid.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$140,400/THEC

Decrease State Expenditures – Net Impact - \$467,200/TBR and UT Institutions

Assumptions:

- NC-SARA’s fee system is based on the number of full-time-equivalent students (FTEs) at an institution.
- The annual fees are \$2,000 for a school with less than 2,500 FTEs; \$4,000 for a school with 2,500 to 9,999 FTEs; and capped at \$6,000 for large universities with more than 9,999 FTEs.
- THEC will collect an annual fee equal to the NC-SARA fee paid by each institution.
- An estimated 19 Tennessee Board of Regents institutions will join SARA.
- Based on the FTE of TBR institutions, two TBR institutions will pay an annual fee of \$2,000 to each THEC and NC-SARA; 14 institutions will pay an annual fee of \$4,000 to each THEC and NC-SARA; and three institutions will pay an annual fee of \$6,000 to each THEC and NC-SARA.
- Under the provisions of the bill, annual fees paid by TBR institutions to each NC-SARA and THEC, are estimated to be \$78,000 [(2 x \$2,000) + (14 x \$4,000) + (3 x \$6,000)].

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- Four UT institutions will join NC-SARA.
- Based on the FTE of UT institutions, two institutions will pay a fee of \$4,000 to each THEC and NC-SARA; and the other two institutions will pay an annual fee of \$6,000 to each THEC and NC-SARA.
- Under the provisions of the bill, annual fees paid by UT institutions to each NC-SARA and THEC, are estimated to be \$20,000 $[(2 \times \$4,000) + (2 \times \$6,000)]$.
- UT and TBR institutions will pay each NC-SARA and THEC fees of \$98,000 (\$78,000 + \$20,000); therefore, combined annual fees under the provisions of the bill are estimated to be \$196,000 $(\$98,000 \times 2 \text{ entities})$.
- Under current law many states require an annual fee in order for out-of-state colleges and universities to offer online or distance learning courses.
- UT and TBR estimate that they pay a combined \$663,159 (\$547,827 TBR + \$115,332 UT) to other states for annual authorization fees under current law. These expenditures will no longer occur under the provisions of this bill.
- The net decrease in state expenditures for TBR and UT institutions is estimated to be \$467,159 $(\$663,159 \text{ current payments} - \$196,000 \text{ new combined fees})$.
- In addition to UT and TBR, THEC estimates that 22 private or other institutions will join NC-SARA and pay annual fees to THEC. Sixteen will pay fees of \$2,000; five will pay fees of \$4,000; and one will pay a fee of \$6,000. As a result, the recurring increase in state revenue to THEC is estimated to be \$58,000 $[(16 \times \$2,000) + (5 \times \$4,000) + \$6,000]$.
- Total annual fees paid to THEC under the provisions of this bill are estimated to be \$156,000 $(\$78,000 + \$20,000 + \$58,000)$.
- THEC currently collects revenue from other out-of-state entities in order for such entities to be authorized to conduct business within the state of Tennessee.
- Based on the average fee collections in 2013 and 2014, out-of-state entities that are most likely to join NC-SARA have paid THEC approximately \$296,400 per year. As these out-of-state entities join NC-SARA, because of Tennessee's joining NC-SARA, THEC will lose this current fee revenue. Therefore, the recurring decrease in state revenue to THEC is estimated to be \$296,400.
- The net recurring decrease in state revenue to THEC is estimated to be \$140,400 $(\$296,400 \text{ current revenue} - \$156,000 \text{ new revenue})$.
- The estimated fees for NC-SARA member institutions are not estimated to increase in subsequent fiscal years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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